

Neo-structuralism



Ricardo Ffrench-Davis¹ and Miguel Torres²

¹University of Chile, Santiago, Chile

²ECLAC, Santiago, Chile

Abstract

Neo-structuralism is a heterodox approach to economic development. It emerged in Latin America, in the 1980s, in the context of the Debt Crisis, the spread of neoliberalism and financial globalization, as an updated version of the ECLAC's Structuralist approach to development. Neo-structuralism deepened the analysis on structural heterogeneity, and its implications for the design of macroeconomic and productive development policies, seeking to promote an inclusive development path.

Keywords

Neo-structuralism · Heterodox approach · Structural heterogeneity · Inclusive growth · Development

JEL Classification

B5 · O11 · O12 · O54

Introduction

During the 1980s, a new approach to economic development began to take shape in Latin America. Its tenets expanded beyond those espoused by ECLAC's structuralism. It deepened the analysis of structural heterogeneity, following a policy-oriented approach, focusing on the role of macroeconomic and productive development policies, capital formation, and innovation, to achieve growth with equity within a context characterized by the rapid spread of neoliberalism and globalization, and more specifically financial globalization.

In the 1980s this approach became known as *neo-structuralism* as it stressed the policy implications for growth and inclusion, in economies characterized by a marked structural heterogeneity (Sunkel 1993).¹

During the 1980s growth with inclusion proved to be an elusive goal for Latin America. The region witnessed a severe recession, the so-called *Lost Decade*, as a result of the huge foreign indebtedness boom that took place in the 1970s. This signaled the end of the vigorous 5.6% average GDP growth characterizing the previous three decades (1950–1980).

¹This collection of essays of several authors was the result of a research project led by Osvaldo Sunkel in the late 1980s. A Spanish version was published in 1991.

The recession was confronted with a *monetarist* approach, subsequently renamed in the economic literature, the *Washington Consensus*, and later on, termed neoliberalism. In the meantime, trade globalization was accompanied by an accelerating process of transnationalization of capital with flows of foreign direct investment, then followed by the emergence of huge international financial flows (ECLAC 1995).

A combination of other factors converged towards a reappraisal of *structuralism* and set the stage for the emergence of *neo-structuralism*. First, several structuralist authors (Prebisch 1961, 1964, and others such as Furtado, Pinto, Ahumada, and Noyola Vasquez) had long warned of the growing exhaustion of import-substituting industrialization and of the anti-export bias that it generated.

Second, only a reduced systemic competitiveness had been achieved and with scarce innovation (Fajnzylber 1983), underscoring the need for industrial policies *a la East Asian*.

Third, the fast process of financialization of globalization that started in the late 1960s had overshadowed the previous structuralist emphasis on the leading role given to persistent foreign currency shortages. In fact, the region was flooded by financial inflows in the 1970s, but this was followed by severe shortages in the 1980s. Thus, a new phenomenon emerged with force – imported financial instability – increasing the need to understand and factor in the analysis of macroeconomic equilibria.

Fourth, the design of the policies adopted to face the debt crisis was grounded in the market fundamentalism of the Washington Consensus.

Gradually, ECLAC and several authors, concerned with social and economic outcomes, started contributing to an alternative approach adequate to confront the ongoing situation during the 1980s, and that would allow Latin America to regain economic growth with inclusion and sustainability. In parallel, several other heterodox approaches were being developed in other parts of the world (for a comprehensive survey, see Pérez Caldentey 2016; two of outstanding contributors to heterodoxy that have lectured at ECLAC are Chang 2002; Rodrik 2007).

In what follows, section “Origins of Neo-structuralism: Historical Context and Theoretical Foundations” reviews the foundations of neo-structuralism. Section “Structural Heterogeneity and Asymmetric Effects on Growth and Distribution” examines structural heterogeneity and outlines some policy implications for inclusive growth. Section “Neo-structuralism and a Macroeconomics for Development Under Instability of Financial Flows” focuses on a neo-structuralist approach to a macroeconomics for development and section “Neo-structuralism and Productive Development” focuses on productive development. Section “Closing Remarks” closes.

Origins of Neo-structuralism: Historical Context and Theoretical Foundations

Neo-structuralism can be considered, in general, as the renewal of ECLAC’s developmental thinking that responded to the international economic order that emerged in the 1980s, characterized by the Debt Crisis in Latin America, the hegemony of neoliberal paradigm in the ideological arena, and the increasing globalization of the world economy.

ECLAC’S previous analytical approach was structuralism, which predominated between 1948 and 1990 (Bielschowsky 2009). Latin American structuralism had its origin in the center-periphery approach developed by Prebisch to describe the relationships between industrialized/developed and underdeveloped economies. It stressed the large productivity gap that existed between center and periphery.

It can be argued that ECLAC’s neo-structuralism retained the center-periphery analysis and its characteristics, but within the context of trade and financial liberalization that characterized the intensive globalization process observed after the early 1980s.

Some researchers in the study of structuralism and neo-structuralism (including Bielschowsky 2009; Rodríguez 2006) consider that its foundations are traced to the seminal works of Fajnzylber (1983, 1990) and Sunkel (1993).

According to Fajnzylber (1983), the problem of Latin America's development was not necessarily due to the intervention of the State nor to the process of industrialization that took place after the Great Depression. The problem lay in the way in which these processes were carried out: an interventionism that did not focus on technological progress and a "truncated industrialization" that failed to advance to a more complex production phase. "Truncated industrialization" was responsible for insufficient growth, frequent bottlenecks in the balance of payments and the persistence in the inequality of income distribution. To overcome this dysfunctional development dynamics, Fajnzylber proposed a new industrialization process based on a creative growth, requiring the generation of an endogenous technological core in each country; that would strengthen the local productive chains and the full incorporation of technical progress allowing for a successful insertion into the international economy. These ideas were developed further in Fajnzylber (1990), particularly in relation to the relevance of technical progress for growth and international competitiveness, and above all to the empirical finding of the absence of sustained and high growth combined with an equitable distribution of income. Fajnzylber named this pattern of economic dynamics the "empty box" of Latin America.

Since the 1970s, Osvaldo Sunkel made important contributions to the debate leading to the emergence of neo-structuralism. His greatest contribution is found in *Development from within: a neo-structuralist approach to Latin America* (Sunkel 1993). Sunkel's neo-structuralism springs from a re-reading of Prebisch distinguishing inward development shaped by the introduction of foreign technique in the process of industrialization developed from within, conceived as an internal process of industrialization capable of creating an endogenous mechanism of accumulation and the generation of technical progress jointly with improvements in productivity.

Some texts that contributed to the neo-structuralist approach in the 1980s are Ffrench-Davis, Bitar, Lustig, and Rosales. Ffrench-Davis (1985) proposed a neo-structuralist approach

linked to a diversifying external insertion strategy. Ffrench-Davis (1988) stressed the contrast between neo-structuralism and neoliberalism in theoretical terms, and in terms of policy implications for the design of macroeconomic, productive, and trade policies, while Bitar (1988) compared neo-structural and neoliberal experiences in Latin America. For their part, Lustig (1988) covered issues related to income distribution and Rosales (1988) presented a balance between continuity and change for the renewal of ECLAC's development thinking.

Neo-structuralism expanded the scope of structuralism by integrating macroeconomic policies into the discussion and, in particular, how to strike a balance between fiscal and balance-of-payments equilibria with price stability.

It discussed the incidence of the macroeconomic environment on development via its effects on capital formation, innovation, trade and equity (Sunkel 1993; Ramos and Sunkel 1993). The analysis was enriched as the financialization of globalization intensified (Devlin 1989; Díaz-Alejandro 1985; ECLAC 1995). Financial flows took on center-stage in the evolution of the neo-structuralist approach to macroeconomics. It stressed the depressive and regressive implications of pro-cyclical financial flows, particularly within a context of structural heterogeneity of labor and of firms (ECLAC 1992, 1995, 2010).

During the last decades, the neo-structuralist approach by ECLAC has expanded its analytical focus by integrating the social with the economic dimension, with a strong focus on gender and environment as crucial components of development.

Structural Heterogeneity and Asymmetric Effects on Growth and Distribution

The analysis of structural heterogeneity developed in the 1960s and 1970s made a significant analytical innovation with respect to dualism (Pinto 1970). It underscored the wide productive heterogeneity between the domestic markets of the center and those of the periphery. The discussion on the

periphery addressed the heterogeneity between exports and non-exports sectors; and over time included the growing diversity within labor and firms created by the shortcomings of the industrialization model pursued by Latin American economies (Pinto 1970; ECLAC 1990, 1992; Fajnzylber 1990).

Neo-structuralism made significant progress by extending its scope of analysis to cover structural heterogeneous *behavior* of economic agents in different activities and assessing its implications for growth and distribution within a context of unstable international financial flows. This new approach included the analysis of trade, productive and macroeconomic policies geared to reduce labor and firm's heterogeneity, in order to foster economic growth with social inclusion (Sunkel 1993; ECLAC 1995, 2010; Sunkel and Infante 2009; Ffrench-Davis 2010a; Ocampo 2011).

Diverse asymmetries relevant for policy design that emerge during the different phases of economic development have been examined by neo-structuralist authors. For instance, these include the asymmetry of effects along the boom and the bust phases of the economic cycle; the diverse response of productive capacity to the stimuli of public policies affecting different market segments (productive investors vis-à-vis financial investors, consumers versus producers; large and small firms, infant and mature enterprises); the varying degrees of resource mobility and price flexibility; and the perverse dynamics of cyclical macroeconomic adjustment processes, depending upon the intensity of the adjustments and expectations of different sectors and agents.

First, neo-structuralism stressed the fact that heterogeneity among factors of production is reflected in their diverse productivities and market incomes. Thus, reducing inequality requires narrowing the degree of diversity of this heterogeneity. In contrast, the import substituting process, in particular in the more advanced countries of Latin America, resulted in the greater enlargement of productivities/rents and incomes among the industrial sector and the rest of the domestic economy. The outcome was a rising structural heterogeneity within the domestic market.

Second, the external indebtedness of the 1970s and the subsequent recession in the 1980s had left a deep concern that the pro-cyclical behavior of international finance that had been under control since the 1930s could reemerge, as indeed was the case in the early 1990s.

As a result, the region confronted two sources of external instability. The first was related to the instability in the terms of trade. The second concerned the rise in the importance of short-term financial inflows. Both were addressed by ECLAC in its biennial report in March 1994 (ECLAC 1995), presented before the start of the Mexican *Tequila Crisis*.

ECLAC stressed that when external instability was transmitted into the domestic macroeconomic environment, its destabilizing effects would tend to generate an underutilization of productive capacity (both of labor and capital). In fact, there is an unavoidable **asymmetry**: the economy can hardly exceed the capacity roof (potential GDP) during the expansive stage, while employment and physical capital utilization can fall short of their potential for long periods during the bust. Thus, the higher the pass through of instability into the domestic economy, the larger the *recessive gap* between potential and actual GDP.

Third, the recessive gap is not spread symmetrically throughout the economy. In fact, instability has asymmetrical effects on large and small firms (partly linked to the incompleteness of financial markets), on skilled and unskilled workers (linked to deficient labor training and education), on formal and informal sectors, all with a clear regressive effect.

Fourth, the recessive gap exerts a significant dynamic impact on investment, thus affecting future growth. The investment ratio tends to respond to the size of the recessive gap: underutilization means lower average productivity and lower profits, usually coinciding with a reluctance by capital markets to finance firms suffering from liquidity problems in recessions; also, the recessive gap and its fluctuations tend to distort the quality of project evaluation. Additionally, since instability deters the volume of investment, the reduced acquisition of machinery and equipment tends to dampen technological innovation (Katz 2010). Given the irreversibility of

capital formation, the data show the relevance of achieving continuity in the recovery and sustainability of the equilibria that arise as the recessive gap is progressively eliminated: more prolonged periods of a recovered economy lead to an escalation of the investment ratio (Titelman and Pérez Caldentey 2016).

Fifth, another significant asymmetry concerns that between productive investors and financial investors. The former tends to suffer the detrimental effects of instability, while a significant part of financial investors tends to benefit from instability. Within international capital markets, the volume of short-term financial flows has risen notably faster than greenfield foreign direct investment. It is quite relevant that the greater importance of financial flows in Latin America has coexisted with a drop in the average investment ratio as compared with that of the 1970s (ECLAC 2010).

Neo-structuralism and a Macroeconomics for Development Under Instability of Financial Flows

When designing macroeconomic policies, two basic features should be borne in mind. First policies should enable the full use of productive resources, with sustainable domestic and external balances, and these should support the building of new capabilities. That implies that domestic demand should expand in line with potential GDP, and that the exchange rate should follow a path consistent with a sustainable external balance. This is what has been termed macroeconomics for development, which is essential to economic growth with social inclusion.

This approach was gradually developed by neo-structuralist authors, searching for an explicit development-friendly macroeconomics in contrast with the supposedly market-friendly neoliberal approach which prevailed in most of Latin America (Ffrench-Davis 2010a; Frenkel 2008; Kay and Gwynne 2000; Ocampo 2011).

The Cyclicity of Financial Flows

Increasingly, neo-structuralist authors underscored the crucial linkages between micro and macroeconomics (ECLAC 1995, 2010; Ocampo 2017a; Ocampo and Ros 2011). This included the analysis of the impact of the macro environment on employment, investment, and growth in a domestic environment characterized by structural heterogeneity and imported financial and terms-of-trade cycles.

An outstanding feature of recent macroeconomic crises in East Asia and Latin America is that they have affected negatively economies classified as successful by the standards of international financial institutions, financial agents, and risk rating agencies (Ffrench-Davis and Ocampo 2001; ECLAC 2010). As a consequence, emerging economies have been rewarded with large financial inflows and diminishing spreads during the boom stages, in parallel with a build-up of rising external liabilities and deficits, followed by periods of financial shortages and outflows.

In fact, in the absence of counter-cyclical policies, inflows have led emerging economies into areas of macroeconomic vulnerability. These are exemplified by varying combinations of growing liquid external liabilities; domestic credit booms; currency and maturity mismatches; substantial external deficits; appreciated exchange rates; high stock price/earnings ratios; and high prices for luxury real estate. At the same time, macroeconomic expectations have largely come to be dictated by the opinions of agents specializing in short-term segments of the financial markets.

There is a substantive international literature addressing the sources of financial instability. These comprise, among others, the information asymmetries between lenders and borrowers and the failure to properly assimilate the negative externalities generated by each agent (in the form of growing vulnerability); these have created cycles of abundance followed by stages of scarcity of external financing and speculative outflows (Rodrik 1998, 2011; Stiglitz 2000; Minsky 1982). The tendency to equate opinions and expectations with “information” contributes to a herd mentality of the followers of the pioneer leaders of financial booms (Calvo and Mendoza 2000), giving way to episodes of contagion: first of excessive optimism

and then of excessive pessimism over the last half of a century.

Two characteristics of financial creditors are of vital relevance for explaining why they tend to exhibit an intrinsically pro-cyclical behavior (Ffrench-Davis 2010a). One is their specific nature. Agents oriented towards the financial markets tend to be specialists in liquid investments, operating within short time horizons, and are thus extremely sensitive to changes in the variables affecting short-term returns.

The second characteristic is that agents in the different financial segments are gradually attracted to new markets as they learn of profitable opportunities. This explains why capital flows into Latin America (in 1977–1981, 1991–1994, 1995–1997, 2004–2007, and 2010–2012) followed a rising path over periods of several years rather than sudden one-shot upward supply shifts.

Feedback effects are generated when there is underutilized capacity at the start of each process. All this is self-reinforcing so that some variables – bonds and shares prices, exchange rates, risk ratings, and real-estate prices – can move first recovering and then overshooting sustainable equilibria and continuing toward vulnerability areas. The question of whether the real macroeconomic fundamentals are improving, or worsening, is not of relevance to these investors as long as they continue to maintain expectations of additional short-term returns. What matters to them is whether the indicators which are critical from their standpoint can continue to yield short-term gains and whether markets are liquid enough to reverse their decisions when necessary.

Then, when indicators have reached those thresholds, several macroeconomic vulnerabilities have emerged. For instance, they are reflected in: (i) the degree to which that market depends on additional net flows, connected to the current account deficit and amortization commitments; (ii) the large stock of short-term liabilities; (iii) destabilizing exchange-rate appreciation, and (iv) high share price/earnings ratios. Finally, when some investor takes action when confronting those risks, there tends to be a band wagon effect that reverses the direction of these

flows, with a strong and costly pro-cyclical bias for the host country. Unlike fixed capital investment, this financial capital is highly reversible. Usually, latecomers tend to be slower in the outflows while those first-in and first-out can reap net capital gains. That asymmetry between leaders and followers explains why speculation can be destabilizing instead of stabilizing a la Friedman. Financial flows have shown great pro-cyclical volatility, and this very property means that only a small share of them have gone into financing productive investment (Ostry et al. 2016). These flows usually end up financing purchases of existing assets and consumption, creating bubbles, and destabilizing the macroeconomic environment.

The Search for a Macroeconomics for Development

In spite of Latin America's success in reducing inflation rates, promoting export expansion, and improving fiscal discipline in several countries, neo-structuralists argue that real macroeconomic failures have been partly responsible for the disappointing economic and social performance in recent decades. During most years between 1981 and 2019, there is evidence of significant instability of the real economy for the region as a whole, as exemplified by the continued existence of recessive gaps and external disequilibria. The greater is the instability, the worse are the effects on productive investors which, given their structural heterogeneity, imply regressive effects on SMEs and the labor market (ECLAC 2010).

Producers have had to cope with extreme instability of effective demand, exchange rates, and access to financing, which have discouraged productivity and dynamic efficiency, capital formation, the production of tradable, and its value-added (Frenkel and Rapetti 2014; Ocampo 2017a). The instability of financial capital flows and of the terms-of-trade have been key determinants of this macroeconomic failure.

To avoid these errors and in order to achieve a development-friendly outcome neo-structuralism sought to establish a new macroeconomic environment. GDP is affected by the domestic macroeconomic environment, but it is the production for

the domestic market, rather than the volume of exports, which has been significantly altered by changes in financial flows and in export prices affecting aggregate demand and the exchange rate. Fluctuations in the non-exported part of GDP, which operates under the domestic macroeconomic policies, explain the overwhelming share of large cyclical fluctuations of GDP since the 1980s in Latin America (ECLAC 2010).

Stabilizing effective demand implies a comprehensive set of policy measures, that need to be implemented actively, seeking to keep (i) aggregate demand at a level consistent with that of potential GDP, (ii) a real exchange rate policy that generates a sustained external balance, and (iii) a counter-cyclical regulation of financial flows under a far-reaching pro-development reform of domestic capital markets, away from the dominance of the short-term financial sector over the real economy and towards productivism (ECLAC 2010; Gallagher 2014; Ocampo 2011; Titelman and Pérez Caldentey 2016).

Monetary policy, along with the policy space achieved through improved fiscal balances, has been key to the large reduction in inflation rates across Latin America. However, price stabilization has been accompanied by large swings in the gap between potential and actual GDP, and inflation targets have frequently coexisted with destabilizing exchange-rate appreciation and inflation of asset prices (Blanchard et al. 2010). In order to provide a pro-development environment, neo-structuralism, proposes replacing the orthodox monetary policy that gives extreme priority to inflation targeting, with a balance between inflation targeting and policies that seek closing recessive gaps and external imbalances, in full coordination with macroeconomic public policies.

The concept of structural fiscal balance has become a relevant component of fiscal policy in the economic conventional wisdom. Its essential feature is budgetary measurement over the economic cycle to estimate the level of public spending consistent with fiscal revenue under full utilization of productive capacity, insulating the real economy from cyclical fluctuations in fiscal revenue. This policy removes the pro-cyclical bias

of an annually balanced budget, but only achieves a cyclically neutral effect. Furthermore, the international financial crisis revived the central importance of fiscal policy as a macroeconomic stabilization tool, in order to achieve fuller counter-cyclical effects (ECLAC 2010; Krugman 2012; Griffith-Jones et al. 2010; Blanchard et al. 2010). Neo-structuralism improves neutral fiscal policy by adding a set of transitory stabilizing changes in public expenditures and taxes, stressing the leading role of fiscal policy vis-à-vis monetary policy in face of cyclical imbalances.

The exchange rate is a macroeconomic variable that is crucial for the sustainability of macroeconomic equilibria and resource allocation. A number of the region's countries have adopted diverse free exchange-rate regimes *de jure* with many of their currencies becoming extremely sensitive to pro-cyclical changes in the supply of funds by short term financial operators. This is what Ocampo has called balance of payments dominance instead of current account dominance which reflect the dictates of a pro-development policy (Williamson 2000; Agosin 2007; Ffrench-Davis 2005, 2010a; Ocampo 2016).

A managed exchange-rate policy is an essential component of a macroeconomics for development. Intermediate regimes involving managed exchange-rate flexibility, such as different varieties of crawling pegs, represent pragmatic attempts to correct this contradiction between the role of those two contrasting types of economic agents (short-term speculation and producers of tradables and non-tradables). This approach seeks to ensure that the real forces of the market – i.e., reflected in the decisions of the producers of, tradable goods – are the ones that ultimately determine the evolution of the exchange rate, rather than short-term operators and rent-seekers.

The close linkages between the performance of the domestic markets and the more volatile international financial markets bears a central responsibility for real macroeconomic instability, which contributes to low levels of productive investment and to the precariousness of labor markets. A deep reform of domestic capital markets is a crucial ingredient of a policy for productive development (United Nations 2007; Ocampo 2017b), jointly

with the management of the capital account in order to achieve real macroeconomic balances.

Since policy space for monetary policy and particularly for exchange rate policy is highly dependent on the treatment of financial flows and their evolution is determined by a growing financial globalization, an active discussion took place centering on the destabilizing effects of flows on macroeconomic balances. Researchers placed the focus on inflows during the boom stages, concerned with avoiding the generation of crises rather than deterring outflows that occur during the bust stages (ECLAC 1995, 2002). One of the recommended prudential/counter-cyclical mechanism was an unremunerated reserve requirement on short-term inflows with a variable rate and time of retention depending on the intensity of the supply of external funding. Chile implemented this mechanism during most of the 1990s (Ffrench-Davis 2010b).

Neo-structuralism and Productive Development

The rise of neo-structuralism arose coincidentally with the development of endogenous growth theory, which revitalized the neoclassical growth theory. Fajnzylber's analyses and ECLAC's first recommendations for a changing production pattern with equity, focused on the external productivity gap (technological catching-up) rather than on the internal productivity gap (domestic structural heterogeneity). These issues were addressed at a later stage (ECLAC 1992; Sunkel 1993).

Fajnzylber (1983, 1990) developed the first stage of the development agenda that ECLAC would propose in the 1990s to Latin American countries on changing production patterns and social equity (ECLAC 1990, 1992). In the 1990s and 2000s, this agenda was developed in other institutional documents that covered, for instance, such topics as regional trade integration and productive transformation, policies to improve the insertion into the world economy, and asymmetries of the globalization process. Beginning in the 2010s, it would further expand its agenda adding, more systematically, the centrality

of equality in the development process (ECLAC 2010), and also incorporating the dimension of political economy (Bárcena and Prado 2016; ECLAC 2018). This proved to be an important effort to promote technical progress and to reduce the extractivist bias of the productive matrix.

According to ECLAC (1992, 1995) and Ramos and Sunkel (1993), the international insertion of Latin America in the early 1990s was characterized by an inefficient export specialization dominated by primary and extractive sectors and faced a strong vulnerability to financial capital flows, while domestically there were obstacles to implementing an effective changing production pattern and to reduce social inequality. Within this framework, the action of a strengthened State should take care of the design and implementation of policies for a structural change that would increase average productivity and to reduce structural heterogeneity seeking to increase faster the productivity of SMEs and of unskilled labor, in order to make income distribution less unequal in the generation of GDP.

The policy implications agenda for productive development contained in the proposal for productive transformation with equity can be broadly summarized in the following guidelines: (i) policies for "authentic" competitiveness, that is, deliberate and progressive incorporation of technical progress for increasing productivity; (ii) policies for systemic competitiveness, that is, for strengthening the network of links between productive agents and physical and educational infrastructure, (iii) educational and training policies of the labor force; (iv) active technological policies, and (v) productive policies that allow the development of the industrial sector in harmony with the development of the primary and service sectors (several authors in Sunkel 1993). Effectiveness in inclusive productive transformation required, among others, a new articulation between a reformed and active state and society, a macroeconomics for development, and a tax reform increasing public income and its progressiveness in spending and in collecting (ECLAC 2010).

Bielschowsky (2009) has analyzed the evolution of the neo-structuralist approaches to

productive development during the 2000s relative to the first formulations of the 1990s. He states that instead of highlighting industrialization almost exclusively, the new structural strategy proposed by ECLAC is based on the concepts of productive and export diversification by adding value through technological innovation and the strengthening of entrepreneurial density. During this decade, the analysis and orientations of policies aimed at the incorporation of information and communications technologies (ICT), biotechnology, nanotechnology, and the use of new materials in production processes were developed further (ECLAC 2008).

In the 2010s, ECLAC's neo-structuralist formulations on productive development stressed : (i) policies that allow closing the internal gap, thus reducing the income disparities observed between the different productive strata; (ii) the promotion of a progressive structural change that gives a growing role to the micro, small, and medium enterprises (MSMEs); (iii) policies that allow to take advantage of the benefits offered by the digital revolution and the expansion of broadband, and (iv) policies aimed at improving the governance of natural resources (Bielschowsky and Torres 2018).

Since the 2010s, the neo-structuralist approach and ECLAC's agenda for a changing production pattern have evolved and included other crucial issues that have been incorporated within the international research agenda. In the area of social development, this agenda includes, among other issues, analyses of economic policies, poverty and income inequality, the relevance of the migration movements, and social protection. An important extension in the field of social development has been the gender dimension (ECLAC 2010). Finally, ECLAC has put greater emphasis on topics such as environmental pollution, biodiversity, energy efficiency, governance of natural resources, and the threats of climate change on sustainable development within an environment of deep structural heterogeneity.

Closing Remarks

Building on structuralism neo-structuralism was developed during the 1980s, as a policy-oriented heterodox alternative to the prevailing mainstream thinking that was evolving towards the more extreme policy approach of neoliberalism.

Neo-structuralism developed in an era of growing globalization, seeking to assure greater policy space for achieving inclusive growth. It requires an integrated, persistently coordinated, approach incorporating the interrelationships between the microeconomic, productive development, and macroeconomic policies. A distinctive feature is the concern for policy implications derived from the profound structural heterogeneity in national markets and from the intrinsically pro-cyclical nature of financialistic globalization. This approach leads to notably different productive development and macroeconomic policies in order to achieve a structural transformation of the economy for domestic inclusion and development convergence with the more advanced economies.

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